

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF PACIFICORP DBA UTAH POWER &amp;</b>	)	<b>CASE NO. PAC-E-03-14</b>
<b>LIGHT COMPANY FOR APPROVAL OF</b>	)	
<b>PROPOSED CHANGES TO ELECTRIC</b>	)	
<b>SERVICE SCHEDULE NO. 72 IRRIGATION</b>	)	
<b>LOAD CONTROL CREDIT RIDER</b>	)	<b>ORDER NO. 29416</b>
<b>PROGRAM.</b>	)	
	)	

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On December 5, 2003, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed proposed changes to its electric Schedule 72 Irrigation Load Control Credit Rider Program (Program). Also filed was a copy of the Company's Schedule 72 2003 Program Evaluation Report.

The Irrigation Load Control Program gives credits to participating irrigators agreeing to a schedule of load interruption during the irrigation season and is available to qualifying customers served on Schedule 10. The Program is applicable only during a portion of the irrigation season from June 1 to September 15 each year. The Program is an optional tariff allowing customers to participate in exchange for a Load Control Service Credit.

The Company, in its filing, recommends the following six changes to the Schedule 72 Program. The intent of the Company's recommendations is twofold: (1) streamline the enrollment process and (2) mitigate potential customer concerns that may have limited customer participation in the 2003 Program. The Company proposes to:

1. Provide customers with a Load Control Service Agreement by January 15th of each year together with the Load Control Service Credit notification (the credit the customer would receive should they elect to participate). The Load Control Service Agreement will include the amount of credit the customer would receive during the upcoming irrigation season if participation is elected.
2. Require that customers sign and return the Load Control Service Agreement by February 15th of each year to indicate their intention to participate in the Program.
3. Notify participating customers of the scheduled hours for load control during the irrigation season by March 15th of each calendar year.

4. Permit participating customers to notify the Company of their intent to opt out of the Program without penalty by April 15th. Under the Company proposal customers notifying the Company of their intent to opt out of the Program after April 15th shall be subject to the terms of Special Condition No. 7, Early Termination (Schedule No. 72).
5. Not enforce the ineligibility for the 2004 irrigation season for customers who submitted an Intent to Participate Notification in the 2003 Program but subsequently failed to execute a Load Control Service Agreement. This proposal is based on the Company recommendation to eliminate the Intent to Participate Notification as part of the 2004 Program.
6. To limit the potential cost for participating customers under terms of Special Condition No. 8, Cost of Load Control Devices, (Schedule No. 72) to such costs only to the extent that they exceed one thousand dollars.

The Company requests an effective date of January 7, 2004 for its proposed Schedule 72 tariff changes. Should the Commission elect not to approve the proposed changes with the January 7, 2004 effective date, the Company would consider it an acceptable outcome to administer the Irrigation Load Control Credit Rider Program for the 2004 irrigation season based on the existing conditions of Schedule No. 72

Accompanying PacifiCorp's tariff change request is a copy of the Company's November 28, 2003 Schedule 72 Program Impact Evaluation Report. The Evaluation Report filing is a compliance filing pursuant to Commission directive in Order No. 29209, Case No. PAC-E-03-3, wherein the Company was directed to submit a Report at the end of the 2003 irrigation season summarizing the results of the Schedule No. 72 Irrigation Load Control Credit Rider Program.

On December 10, 2003, the Commission issued a Notice of Application and a Notice of the Schedule 72, 2003 Program Evaluation Report filing. The Commission further issued a Notice of Modified Procedure and established a comment deadline of December 30, 2003. Timely comments were filed by the Commission Staff, Stanley Searle of Idaho Falls and the Idaho Irrigation Pumpers Association (Irrigators). The Comments can be summarized as follows:

***Mr. Searle***

Mr. Searle expresses concern over last year's Program notification and suggested that direct mailings should be required. He also comments on some difficulty that the Company had

in resolving problems in a timely manner. He feels that the cost of equipment should not be billed to the user. He goes on to say that, "the Program did not meet the needs of the users," noting the participation rate was far below that of the old load control program. Regarding load shifting, Mr. Searle says his "pump used more KW in 2003 than in 2002" and that "the power is being used during off peak." In conclusion he states that, "the savings to the user are not enough to get wide spread participation." He "found the 2003 Program non-profitable and will not be participating in 2004."

***Commission Staff***

Staff provides comments on the Program Evaluation Report and the Company proposed changes. As recounted by Staff, the Schedule No. 72 Irrigation Load Control Credit Rider Program was initially approved by the Commission in Case No. PAC-E-03-3, Order No. 29209. In that Order the Commission addressed the methodology used by the Company to calculate the proposed credits. The proposed credits are different for each month of the irrigation season to reflect the varying costs of power, and hence, value of curtailment, in each of the months. In valuing the shift of load from the super peak to light load hours, PacifiCorp included a 30% uncertainty factor in recognition of uncertainties with respect to (a) the amount of load that actually shifted; (b) the hours of the day that load is actually shifted to; (c) the level of load control equipment failure; (d) unexpected differences between estimated load and actual load; (e) failure of customers to shift load; and (f) customer termination from the Program for previously failing to shift load. The proposed credits are thus 70% of the differences between expected super-peak and off-peak market prices. The Commission characterized the Company's proposal as essentially a time-of-use proposal and not a curtailment or buy-out proposal.

The Company in its Report states that with 10.3% of the customers participating in the program an average load of about 21 MW was shifted or curtailed during the critical peak period. The Company estimates that this resulted in about 8 million KWh being saved during the curtailment period, and this energy was curtailed, not shifted. The Company cites the Commission statement on page 5 of Order No. 29209: "We find the proposal submitted by the Company... recognizes that irrigator load in super-peak periods will be shifted to other times or off-peak periods." Staff notes that the Company has not provided data to support the finding with respect to load shifting. Staff recommends that the Company should further study the load shifting effect of the Schedule 72 Program.

As reported by the Company, the Schedule 72 Program cost for 2003 was \$550,900, or about \$70/MWh super-peak. Due to lower expected field cost, the estimated projected cost for 2004 is \$386,370 or about \$49/MWh super-peak. The Company states that the Program was cost effective in the first year from the perspective of Total Resource Cost, but was not cost effective from PacifiCorp's perspective due to high first year field costs. Staff takes exception with that portion of the Report that states "the Program is cost effective in the first year, providing benefits of over \$657,000 at no cost to the participants." Staff contends that there are participant costs, even though they may be indirect and sometimes difficult to quantify. If irrigators had no costs, Staff contends that all irrigators would participate. Staff believes the 2004 irrigation season will be important in determining if the Program remains successful. If the 2003 participants choose to participate again, it will confirm that they believe the Program is cost effective for them. Therefore, Staff contends it is important for the Company to vigilantly survey irrigation customers and continue to monitor the program, watching for program modifications that might add value for both the participants and the Company.

Staff also discusses the Load Control Service Credit. Staff reports that the Company intends to calculate the monthly credit for the 2004 irrigation season using the same methodology used last season. Staff believes this valuation methodology offered a reasonable credit for use in the Program during the 2003 irrigation season. Questions related to the methodology, including whether 70% of the difference between super-peak and off-peak market prices is the proper credit pricing method, Staff contends, should be addressed in greater detail in the 2004 Program Evaluation Report that Staff recommends be filed by December 1, 2004. Staff recommends that the uncertainties, used to support the 30% discount, be evaluated, quantified where possible and the amount of the discount adjusted accordingly. Staff recommends that the Company's analysis be based on the experience of both years, 2003 and 2004.

Staff believes that the Schedule 72 Load Control Program is an important program that will become even more important in the future as BPA irrigation credits change and the cost of super-peak energy increases. Continuation of the Program, Staff contends, will provide irrigation customers with some control over their electric bills and will enable the Company to control its power supply costs.

In its filing, the Company recommended six changes to the Schedule 72 Program. The proposed changes, Staff recounts, would require that the Company not only provide

customers with notice of the credit by January 15, but also provide them with the Agreement by that date. Second, rather than submit to the Company an "Intent to Participate," the customers would return signed agreements by February 15. Third, Notice to the customers of the Load Control Schedule would occur on March 15 rather than March 1 and, fourth, the Company would add a provision that allows customers to opt out of the program without penalty by April 15. The Company also proposes to eliminate the requirement that customers failing to execute an agreement after submitting an "Intent to Participate" would not be eligible to participate in the program the following year. The last change proposed by the Company would require customers to only pay the cost of installation and control devices in excess of one thousand dollars. Previously the customer was required to pay all these costs. Staff supports the proposed changes and believes that they will improve the Schedule 72 Program

Staff in its comments recommends the following:

- The Company should improve Program evaluation by studying the extent and effect of load shifting that results from implementation of the 2003 and 2004 curtailment programs. The results of the study should be presented to the Commission and irrigators by December 1, 2004.
- The Company should provide an evaluation of the individual uncertainties used to establish the 30% discount in calculation of the Load Control Credit. Where possible, these uncertainties should be quantified and the amount of the discount reevaluated.
- The Company should survey the irrigators and continue to monitor the Program, watching for Program modifications that might add value for both the participant and the Company.
- The Commission should approve the six Program changes proposed by the Company.

Staff anticipates a Company filing the week of January 5, 2004, presenting the Company calculated monthly credit for the 2004 irrigation season. Staff contends that without a change in methodology the calculation is arithmetic and can be processed as a tariff advice consent agenda item without additional notice.

### ***Irrigators***

The Irrigators believe that the Company's 2003 Program Evaluation Report does not fully flush out all the Program's benefits, specifically the resultant energy savings and

conservation. The Irrigators request that this be monitored and quantified and that it be given appropriate weight in the monthly credit methodology.

Both Staff and the Irrigators request that the Company provide data to support its conclusion that irrigation load is not being shifted to off-peak periods. The Irrigators request that the Company continue to monitor and quantify the reduction in demand related to Program participation. If the result is a reduced demand factor, Irrigators contend that it should be given proper weight in the credit pricing methodology.

Also to be accounted for and reflected in reducing the 30% uncertainty factor, the Irrigators contend, is the reliability of the load control equipment and recognized curtailment that occurred.

By supporting PacifiCorp's proposed changes to the Program, the Irrigators state that they are in no way endorsing the current credit pricing methodology. The Irrigators fundamentally disagree with the pricing methodology because it focuses solely on projected market prices to the exclusion of the avoided cost of PacifiCorp's other supply side resource options and other program benefits and certainties.

The Irrigators in their comments request the opportunity to review the 2004 Load Control Service Agreement for review and comment prior to dissemination (January 15, 2004). The Irrigators also request the opportunity to provide comments on the credit calculation. That being said, however, the Irrigators do not wish to hold up implementation of the 2004 program.

### **COMMISSION FINDINGS**

The Commission has reviewed the filings of record in Case No. PAC-E-03-14 including the Company-proposed changes to the Schedule 72 Irrigation Load Control Credit Rider Program and the Company's Schedule 72 – 2003 Program Evaluation Report. The Commission has also reviewed the related comments of Stanley Searle, the Irrigators and Commission Staff. The Commission continues to find it reasonable to process this matter pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.204.

The Commission notes that the proposed Program changes are supported by both the Irrigators and Staff. Mr. Searle expressed no position on the changes. The Commission finds that the proposed changes will improve the Program, streamline the enrollment process and

encourage greater participation. The Commission finds it reasonable to approve the changes for an effective date of January 7, 2004.

As reflected in the Company's Program Evaluation Report, 207 customers and 403 metered irrigation sites participated in the 2003 Program. This represents just over 10% of the irrigation customers, 9% of the metered sites and approximately 12% of the irrigation load. The Company states that it was able to shift or curtail approximately 21 MW during its critical peak period.

The reported cost of the Program for 2003 was \$550,900 or about \$70 per MWh super-peak. Four percent of this amount was for administration, management, evaluation and reporting; 45% for fuel expenses which included the initial installation of equipment and 50% for participation credits. Due to lower expected fuel costs, the estimated project cost for 2004 is \$386,370 or \$49 per MWh super peak. The Commission finds that the Program has been demonstrated to be of value to both Irrigators and the Company. We find that the Program should be extended through the 2004 irrigation season.

As reflected in Staff Comments, the load control credit is the key piece of the program. The Commission expects the Company to file the proposed 2004 credit amount this week. The Commission is informed that the Company intends to calculate the monthly credit for the 2004 irrigation season using the methodology approved by the Commission for 2003 in Order No. 29209. Under the approved methodology, the available credit is 70% of the difference between expected super-peak and off-peak market prices. The 30% reduction was for identified elements contributing to uncertainty. The Commission finds that continued monitoring in 2004 is required to determine whether the percentage discount in the credit calculation is proper. We find that the uncertainties identified in Order No. 29209 should be further evaluated and quantified by the Company and direct the Company to include the results of this analysis in its 2004 Program Evaluation Report which we find should be filed by December 1, 2004.

The Company has yet to file its proposed 2004 credit calculation. We note that the Company has committed to provide its credit calculation to the Irrigators and Staff with opportunity for comment as to correctness of calculation. Assuming the Company uses the same methodology we approved in Order No. 29209, we expect that the matter will be processed as a tariff advice. We note also that the Company has committed to provide the proposed Load Control Service Agreement to the Irrigators in advance of distribution.

Procedurally, we find that the commenting parties recommend approval of the proposed Program changes and continued monitoring and collection of data in 2004 for inclusion in the 2004 Program Evaluation Report. With accumulation of an additional year of data, we expect that the Company will be in a position to assess the continued reasonableness of the Program credit pricing methodology.

### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp, an electric utility, and the Company's Application in Case No. PAC-E-03-14, pursuant to Idaho Code, Title 61 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

### **ORDER**

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the six proposed changes to the Company's Schedule No. 72 Irrigation Load Control Credit Rider Program for an effective date of January 7, 2004.

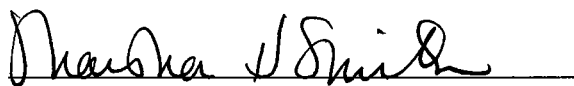
IT IS FURTHER ORDERED and the Company is directed to file a 2004 Program Evaluation Report with the Commission on or prior to December 1, 2004, specifically addressing, but not limited to, program-related shifting of load, and assessment of the uncertainty factors identified in Order No. 29209.

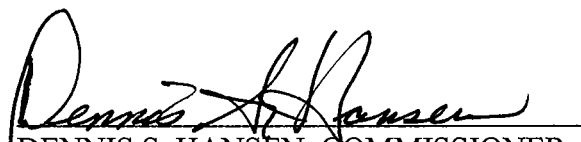
THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.



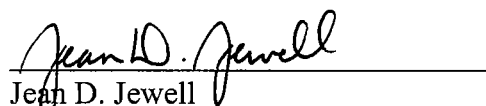
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12<sup>th</sup>  
day of January 2004.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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